

116TH CONGRESS  
2D SESSION

# H. R. 8385

To establish the Taxpayer Protection Program to provide forgivable loans to State, territory, Tribal, and local governments, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 24, 2020

Mr. LAHOOD introduced the following bill; which was referred to the Committee on Oversight and Reform

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## A BILL

To establish the Taxpayer Protection Program to provide forgivable loans to State, territory, Tribal, and local governments, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Taxpayer Protection  
5       Act of 2020”.

6       **SEC. 2. TAXPAYER PROTECTION PROGRAM.**

7       (a) ESTABLISHMENT.—The Secretary of the Treas-  
8       ury shall establish the Taxpayer Protection Program to  
9       provide forgivable loans to State, territory, Tribal, and  
10      local governments, in accordance with this section.

1       (b) APPLICATION.—Any State, territory, Tribal, or  
2 local government that seeks to receive a loan under the  
3 Program shall submit an application in such form and  
4 manner, and containing such information, as the Sec-  
5 retary may require.

6       (c) APPROPRIATION; LOAN AMOUNTS.—

7           (1) APPROPRIATION.—Out of any money in the  
8 Treasury not otherwise appropriated, there are ap-  
9 propriated to the Secretary to carry out the Pro-  
10 gram, \$186,000,000,000.

11          (2) STATE LOAN AMOUNTS.—

12           (A) IN GENERAL.—Of amounts appro-  
13 priated under paragraph (1), the Secretary  
14 shall use \$100,000,000,000 to carry out the  
15 Program with respect to the States.

16           (B) RESERVED AMOUNT.—The Secretary  
17 shall reserve \$835,000,000 of the amount de-  
18 scribed under subparagraph (A) for each State.

19           (C) REMAINDER.—The Secretary shall ap-  
20 portion the remaining \$58,250,000,000 to the  
21 States based on a State's relative population  
22 proportion amount, calculated in the manner  
23 described under section 601(c)(3) of the Social  
24 Security Act.

17 (5) LOCAL GOVERNMENTS.—

(B) AGGREGATE RESERVATION FOR LOCAL GOVERNMENTS OF A STATE.—With respect to a particular State, the Secretary shall reserve a

1           percentage of the amount of money described  
2           under subparagraph (A) for the local govern-  
3           ments of the State, in the aggregate, equal to  
4           the percentage of the amount described under  
5           paragraph (2)(B) that is reserved for such  
6           State.

7                         (C) RESERVATION FOR METROPOLITAN  
8                         CITIES.—The Secretary shall reserve  
9                         \$26,250,000,000 of the amount described under  
10                  subparagraph (A) for metropolitan cities.

11                         (D) RESERVATION FOR NON-METROPOLI-  
12                         TAN NON-COUNTY GENERAL PURPOSE LOCAL  
13                         GOVERNMENTS.—The Secretary shall reserve  
14                         \$11,250,000,000 of the amount described under  
15                  subparagraph (A) for local governments that  
16                  are not metropolitan cities or counties.

17                         (E) RESERVATION FOR COUNTIES.—

18                                 (i) IN GENERAL.—The Secretary shall  
19                         reserve \$37,500,000,000 of the amount de-  
20                         scribed under subparagraph (A) for coun-  
21                         ties, with each county receiving an amount  
22                         based on the relative population of the  
23                         county compared to the aggregate popu-  
24                         lation of counties described under this sub-

1                   paragraph with respect to the State in  
2                   which the counties are located.

3                   (ii) NON-INCLUSION OF METROPOLI-  
4                   TAN CITY POPULATION.—In calculating the  
5                   population of a county under clause (i), the  
6                   population of the county shall not include  
7                   any resident of the county that is also a  
8                   resident of a metropolitan city.

9                   (d) USE OF FUNDS.—Loan amounts received under  
10                  this section—

11                  (1) may be used—

12                  (A) to cover revenue losses caused by busi-  
13                  ness interruptions, unemployment, or other eco-  
14                  nomic hardship directly caused by the COVID–  
15                  19 pandemic; and

16                  (B) for infrastructure or essential govern-  
17                  ment service expenditures, including all general  
18                  operating expenses; and

19                  (2) may not be used for the service of any debt  
20                  obligation or unfunded liability for employee retire-  
21                  ment benefits.

22                  (e) TRANSPARENCY.—Each recipient of a loan under  
23                  the Program shall comply with the following:

1                         (1) ACCOUNTING.—Loan funds shall be ac-  
2                         counted for separately from all other revenue  
3                         sources.

4                         (2) WEBSITE.—

5                         (A) IN GENERAL.—The recipient shall  
6                         maintain a publicly available website that  
7                         prominently displays, either on its homepage or  
8                         on a page linked directly from the homepage, a  
9                         record of the following:

10                         (i) The dollar amount of each expend-  
11                         iture of funds received under the Program.

12                         (ii) The vendor or recipient of each  
13                         such expenditure of funds.

14                         (iii) The purpose and date of each  
15                         such expenditure of funds.

16                         (B) TIMING.—The information described  
17                         under subparagraph (A) shall be made available  
18                         on the website within 30 days of the related ex-  
19                         penditure.

20                         (f) DISBURSEMENT; TERMS AND INTEREST  
21                         RATES.—

22                         (1) DISBURSEMENT.—

23                         (A) IN GENERAL.—Loans under the Pro-  
24                         gram shall be disbursed quarterly, in accord-

1                  ance with subparagraph (B), until the earlier  
2                  of—






(3) REPAYMENT.—With respect to a loan made under the Program that is not forgiven, the recipient

1 shall be required to repay the loan in quarterly pay-  
2 ments beginning on June 30, 2022.

3 (g) LOAN FORGIVENESS.—

4 (1) IN GENERAL.—The Secretary shall forgive a  
5 loan made to a recipient under the Program if the  
6 recipient is—

7 (A) a local government other than a coun-  
8 ty—

9 (i) with a population of less than  
10 250,000; or

11 (ii) with a population of 250,000 or  
12 more that has sound pension funds;

13 (B) a county—

14 (i) with a population of less than  
15 500,000; or

16 (ii) with a population of 500,000 or  
17 more that has sound pension funds; or

18 (C) a State that, as of June 30, 2022—

19 (i) has sound pension funds;

20 (ii) has a truly balanced budget;

21 (iii) has rainy-day fund protections;

22 and

23 (iv) does not use a fixed cost of living  
24 adjustment with respect to any pension  
25 system administered by the State.

1                           (2) TREATMENT OF GOVERNMENTS ESTAB-  
2 LISHING SOUND PENSION FUNDS.—

(i) the State, local government, or county has sound pension funds before such forgiveness; and

(B) ACTUARILY DETERMINED EMPLOYER CONTRIBUTIONS.—For purposes of subparagraph (A)(ii), actuarially determined employer contributions shall follow generally ac-

1           cepted actuarial principles, as defined by the  
2           Secretary.

3           (h) FINDINGS AND SENSE OF CONGRESS RELATED  
4           TO STATE BENEFIT PLANS.—

5           (1) FINDINGS.—The Congress finds the fol-  
6           lowing:

7               (A) Securing the health, safety, welfare  
8               and property of, and the pursuit of happiness  
9               by, residents is each State's supreme obligation.

10              (B) State reported unfunded pension liabil-  
11              ties among the several States at the end of fis-  
12              cal year 2018 totaled \$1,237,791,372,000.

13              (C) The economic impact of the COVID–  
14              19 pandemic is likely to further increase the  
15              unfunded liabilities of employee benefit plans of  
16              the States and increase the annual cost of these  
17              systems, creating fiscal tension between funding  
18              essential government services and servicing un-  
19              funded liabilities.

20              (D) The COVID–19 pandemic has caused  
21              reductions in expected revenues of the States  
22              while at the same time increasing public de-  
23              mand for essential government services.

24           (2) SENSE OF CONGRESS.—It is the sense of  
25           the Congress that if and to the extent a State's leg-

1 legislature determines that performance of its supreme  
2 obligation is impaired by funding otherwise required  
3 under any health, welfare, retirement, or other ben-  
4 efit plan offered to its employees, then that State's  
5 legislature, with its Governor's consent, may change  
6 the terms of any such benefit plan to the extent it  
7 was not contemporaneously funded in any manner it  
8 determines to be necessary and proper, notwith-  
9 standing the terms of any State law or constitution  
10 to the contrary.

11 (i) DEFINITIONS.—In this section:

12 (1) INDIAN TRIBE.—The term “Indian Tribe”  
13 has the meaning given that term in section 4(e) of  
14 the Indian Self-Determination and Education Assist-  
15 ance Act (25 U.S.C. 5304(e)).

16 (2) LOCAL GOVERNMENT.—With respect to a  
17 State, the term “local government” means a county,  
18 municipality, town, township, village, parish, bor-  
19 ough, or other unit of general government below the  
20 State level.

21 (3) METROPOLITAN CITY.—The term “metro-  
22 politan city” has the meaning given that term under  
23 section 102(a) of the Housing and Community De-  
24 velopment Act of 1974 (42 U.S.C. 5302(a)).

1                             (4) PROGRAM.—The term “Program” means  
2                             the Taxpayer Protection Program.

3                             (5) RAINY-DAY FUND PROTECTIONS.—

4                             (A) IN GENERAL.—With respect to a  
5                             State, the term “rainy-day fund protections”  
6                             means that the State—

7                                 (i) has a fund that—

8                                     (I) is intended to be used during  
9                                     emergency periods when revenues de-  
10                                     crease, to offset such decrease; and

11                                     (II) is subject to safeguards to  
12                                     prevent use of amounts in the funds  
13                                     for nonemergency purposes, such as  
14                                     requiring a resolution approved by a  
15                                     legislative supermajority that an  
16                                     emergency or disaster has occurred  
17                                     before amounts may be appropriated  
18                                     from the fund; and

19                                 (ii) has enacted a State statute—

20                                     (I) setting a target for the fund  
21                                     of holding reserves of 5 to 10 percent  
22                                     of annual general revenues; and

23                                     (II) under which amounts are  
24                                     automatically deposited in the fund in  
25                                     order to meet such target, during any

1                   year in which the economy is not in a  
2                   declared recession.

3                   (B) ALTERNATE CERTIFICATION.—Not-  
4                   withstanding subparagraph (A), a State has  
5                   “rainy-day fund protections” if the State cer-  
6                   tifies to the Secretary that—

- 7                         (i) the State has protections for the  
8                         State’s rainy-day fund that are at least as  
9                         effective as those described under subpara-  
10                         graph (A); and  
11                         (ii) the State’s rainy-day fund held an  
12                         amount equal to more than 5 percent of  
13                         the State’s 2019 annual operating budget  
14                         in reserve as of January 1, 2020.

15                   (6) SECRETARY.—The term “Secretary” means  
16                   the Secretary of the Treasury.

17                   (7) SOUND PENSION FUNDS.—With respect to a  
18                   recipient under the Program, the recipient has  
19                   “sound pension funds” if—

- 20                         (A) all pension funds of the recipient are  
21                         based on generally accepted actuarial principles,  
22                         as defined by the Secretary, taking into account  
23                         the Actuarial Standards of Practice promul-  
24                         gated by the Actuarial Standards Board; and

(B) the amortization or employer contribution schedules of such plans target a 100 percent pension funding ratio over no more than 25 years.

5                         (8) TERRITORY.—The term “territory” means  
6                         the District of Columbia, Puerto Rico, the U.S. Vir-  
7                         gin Islands, Guam, the Northern Mariana Islands,  
8                         and American Samoa.

9                             (9) TRIBAL GOVERNMENT.—The term “Tribal  
10                             government” means the recognized governing body  
11                             of an Indian Tribe.

(B) for purposes of calculating revenues to determine whether the State's operating budget has achieved an end of year balance, such revenues may only include actual monies received,

1       and do not include transfers from other State  
2       funds or borrowing proceeds.

